



6325-38

OFFICE OF PERSONNEL MANAGEMENT

Federal Employees' Retirement System;

Normal Cost Percentages

AGENCY: Office of Personnel Management.

ACTION: Notice.

SUMMARY: The Office of Personnel Management (OPM) is providing notice of revised normal cost percentages for employees covered by the Federal Employees' Retirement System (FERS) Act of 1986.

DATES: The revised normal cost percentages are effective at the beginning of the first pay period commencing on or after October 1, 2015. Agency appeals of the normal cost percentages must be filed no later than [INSERT DATE 6 MONTHS FROM THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Send or deliver agency appeals of the normal cost percentages and requests for actuarial assumptions and data to the Board of Actuaries, care of Gregory Kissel, Senior Actuary, Office of Planning and Policy Analysis, Office of Personnel Management, Room 4307, 1900 E Street NW., Washington, DC 20415.

FOR FURTHER INFORMATION CONTACT: Karla Yeakle, (202) 606-0299.

SUPPLEMENTARY INFORMATION: The FERS Act of 1986, Pub. L. 99-335, created a new retirement system intended to cover most Federal employees hired after 1983. Most

Federal employees hired before 1984 are under the older Civil Service Retirement System (CSRS). Section 8423 of title 5, United States Code, as added by the FERS Act of 1986, provides for the payment of the Government's share of the cost of the retirement system under FERS. Employees' contributions are established by law and constitute only a portion of the cost of funding the retirement system; employing agencies are required to pay the remaining costs. The amount of funding required, known as "normal cost," is the entry age normal cost of the provisions of FERS that relate to the Civil Service Retirement and Disability Fund (Fund). The normal cost must be computed by OPM in accordance with generally accepted actuarial practices and standards (using dynamic assumptions). The normal cost calculations depend on economic and demographic assumptions. Subpart D of part 841 of title 5, Code of Federal Regulations, regulates how normal costs are determined.

In its meeting on June 18, 2013, the Board of Actuaries of the Civil Service Retirement System (the Board) recommended changes to certain demographic assumptions used in the actuarial valuations of CSRS and FERS. The most significant change applies additional projected mortality improvement resulting in greater assumed annuitant longevity. The previous assumptions reflected mortality rates improved to year 2024; the revised projection assumes mortality rates are expected to improve indefinitely at an ultimate rate of 1.0 percent annually for employees and non-disabled annuitants. OPM has adopted the Board's recommendations.

With regard to the economic assumptions described under section 841.402 of title 5, Code of Federal Regulations, used in the actuarial valuations of FERS, the Board concluded that it would be appropriate to continue to assume a rate of investment return of 5.25 percent.

In addition, the Board determined that the assumed inflation rate should remain at 3.00 percent and that the projected rate of General Schedule salary increases should remain at 3.25 percent. These salary increases are in addition to assumed within-grade increases. These assumptions are intended to reflect the long term expected future experience of the Systems.

The demographic assumptions are determined separately for each of a number of special groups, in cases where separate experience data is available. Based on the demographic and economic assumptions described above, OPM has determined the normal cost percentage for each category of employees under section 841.403 of title 5, Code of Federal Regulations.

Section 5001 of Public Law 112-96, The Middle Class Tax Relief and Jobs Creation Act of 2012, established provisions for FERS Revised Annuity Employees (FERS-RAE). The law permanently increases the retirement contributions by 2.30 percent of pay for these employees. Subsequently, Section 401 of Public Law 113-67, the Bipartisan Budget Act of 2013, created another class of FERS coverage, FERS-Further Revised Annuity Employee (FERS-FRAE). Employees subject to FERS-FRAE coverage must pay even higher employee contributions than employees subject to FERS-RAE. Employees subject to FERS-FRAE must pay an increase of 1.30 percent of pay above the percentage set for FERS-RAE. Separate normal cost percentages apply for FERS-RAE and for FERS-FRAE.

The Governmentwide normal cost percentages, including the employee contributions, are as follows:

**NORMAL COST PERCENTAGES FOR FERS, FERS-REVISED ANNUITY
EMPLOYEE (RAE), AND FERS-FURTHER REVISED ANNUITY (FRAE) GROUPS**

GROUP	FERS NORMAL COST (PERCENT)	FERS-RAE NORMAL COST (PERCENT)	FERS-FRAE NORMAL COST (PERCENT)
Members.....	22.1	15.0	15.1
Congressional employees, except members of the Capitol Police	20.4	15.0	15.1
Congressional employees who are members of the Capitol Police	20.4	20.9	21.0
Law enforcement officers, members of the Supreme Court Police, firefighters, nuclear materials couriers, customs and border protection officers, and employees under section 302 of the Central Intelligence Agency Retirement Act of 1964 for certain employees	31.4	32.0	32.1
Air traffic controllers.....	33.1	33.7	33.7
Military reserve technicians	18.1	18.5	18.7
Employees under section 303 of the Central Intelligence Agency Retirement Act of 1964 for certain employees (when serving abroad)	20.3	20.9	21.0
All other regular FERS employees	14.5	15.0	15.1

Under section 841.408 of title 5, Code of Federal Regulations, these normal cost percentages are effective at the beginning of the first pay period commencing on or after October 1, 2015.

The time limit and address for filing agency appeals under sections 841.409 through 841.412 of title 5, Code of Federal Regulations, are stated in the DATES and ADDRESSES sections of this notice.

U.S. Office of Personnel Management.

Katherine Archuleta,
Director.

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